Canadian Transportation Agency

Office des transports du Canada

CANADIAN TRANSPORTATION AGENCY

Performance Report

For the period ending March 31, 2007

The Honourable Lawrence Cannon, P.C., M.P.
Minister of Transport, Infrastructure and Communities

Canada

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SECTION I – OVERVIEW

1.1 Chairman's Message

I am pleased to present the 2006–2007 Departmental Performance Report of the Canadian Transportation Agency, which demonstrates the Agency's role in the achievement of an efficient and accessible transportation system for Canadians.

One of the Agency's key responsibilities as the country's economic regulator for air, rail and marine transportation is resolving issues and disputes fairly, efficiently and effectively.

In 2006–2007, the Agency issued some 3,000 rulings which dealt with diverse issues such as those involving air carrier licences and permits, the use of foreign ships in Canadian waters, the movement of Western grain by railway companies, and the removal of undue obstacles to the mobility of persons with disabilities. In all cases, the Agency prides itself on ensuring a fair decision-making process that takes into account the interests of both transportation users and providers, and other affected parties.

The Agency continued to address significant pressures experienced as a result of the Government Expenditure Review exercise and the elimination of temporary funding of the Air Travel Complaints Program. To meet this challenge, a comprehensive resource review was implemented which allowed the Agency to fully absorb the funding reductions while continuing to manage the Air Travel Complaints Program and the workload related to its other legislative and administrative responsibilities.

Efforts were also undertaken to improve processes and practices to deal with the volume of increasingly complex issues being brought before the Agency. A major focus in this regard was in the area of alternative dispute resolution which assisted parties in reaching settlements faster and in a less costly manner than the formal dispute resolution process. In fact, our work in this area is reflected in recent amendments to the Canada Transportation Act, which formally recognizes the Agency's highly successful mediation pilot program.

Working closely with users and providers of transportation services has also brought alternative solutions for ensuring an effective and accessible transportation system. In consultation with the community of persons with disabilities, transportation industry, and other government organizations, a voluntary code of practice was developed to remove undue obstacles for persons with disabilities within air, rail and marine passenger terminals. This is the fifth code of practice, complementing other codes for aircraft, passenger rail car and ferry accessibility, and for removing communications barriers for travellers with disabilities.

As a small organization, the Agency is also particularly sensitive to the effects of an aging workforce. The Agency has taken a risk-based approach to address its strategic priorities emerging from its three-year Strategic Human Resources Plan, integrating succession planning, ethics, values and learning, and the flexibility from the new staffing

reforms to maintain its level of expertise. This, coupled with the continued integration of performance measurements into management practices, is enabling the Agency to maintain its focus on optimal resource allocation and improved service delivery to Canadians, while managing the major challenges associated with the potential retirement of a sizable percentage of Agency staff over the next three years.

It is no secret that our country's transportation sector has gone through tremendous change in recent years - at a rapid pace that for the moment shows no sign of abating. The Agency has continuously adapted its work and services to this environment of constant change. In 2007–2008, the Agency will develop a multi-year strategic plan to better prepare for the challenges of change ahead in Canada's transportation network and to ensure that the Agency continues to effectively deliver on its mandate.

Geoffrey C. Hare
Chairman and Chief Executive Officer

1.2 Management Representation Statement

I submit for tabling in Parliament, the 2006–2007 Departmental Performance Report for the Canadian Transportation Agency.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006–2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the Agency's approved Strategic Outcome and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Geoffrey C. Hare
Chairman and Chief Executive Officer
September 05, 2007

1.3 Summary Information

Reason for Existence

In its administration of federal transportation legislation and government policies, the Canadian Transportation Agency helps create an efficient and accessible federal transportation system for the benefit of Canadians.

The Agency is an independent, quasi-judicial, administrative tribunal that makes decisions on a wide range of matters affecting federally-regulated Canadian transportation. It licenses rail and air carriers, and has the authority to resolve some transportation rate, service and other complaints in the rail, air and marine modes and to make regulations when required. It also has the authority to remove undue obstacles to the mobility of persons with disabilities who use the federally-regulated transportation network. In addition, the Agency implements the transportation policy established by Parliament in the *Canada Transportation Act* and other legislation. It is also the aeronautical authority for Canada on matters related to the economic regulation of air carriers.

Mandate and Mission

The Agency performs the functions vested in it by the *Canada Transportation Act* and related legislation (refer to section 4.4 for a list of legislation and regulations that the Agency administers in whole or in part).

Our mission is to administer transportation legislation and government policies to help achieve an efficient and accessible transportation system by education, consultation and essential regulation.

Education and consultation are integral to the Agency's effectiveness in carrying out its mandate. The Agency works closely with those who use and provide transportation services in Canada and others directly affected by them. It helps travellers, shippers, carriers, municipalities and others to fully understand not only their rights and obligations under the *Canada Transportation Act*, but also the Agency's roles and responsibilities. When appropriate, the Agency encourages parties to resolve disputes informally before issues escalate and affect the efficient functioning of the transportation system. The Agency consults as widely as possible on issues that are important to the transportation industry. By remaining open and by listening to all affected parties, the Agency strives to ensure that its decisions are both responsive and responsible.

More information about the Agency can be found on its Web site at www.cta.gc.ca. More specifically, information about the Agency's structure, its mission, its values and its operation can be found at www.cta.gc.ca/about-nous/index_e.html.

Operating Environment and Context

Parliament funds the Agency's program through an operating expenditures vote. The Agency operates within the context of the very large and complex Canadian transportation system (for details, refer to Transport Canada's Web site at www.tc.gc.ca).

As an independent, quasi-judicial tribunal, the Agency makes decisions on a wide range of matters involving federally-regulated modes of transportation (air, rail, marine and for certain accessibility matters, extra-provincial bus transportation). Most of the Agency's activities and workload are generated by demand from users and operators of the federal transportation system. The tribunal's decisions are rendered by Agency members, who are appointed by the Governor in Council. They include the Chairman, who also acts as the Chief Executive Officer, and the Vice-Chairman, who are both members of the Executive Committee.

The Agency applies a decision-making process that is governed by the rules of fairness and the legislation, regulations and legal principles applicable to each case to ensure that all parties to a complaint or an application are dealt with fairly and equitably. The Agency also ensures that Agency members and staff maintain a high level of expertise in the transportation field and keep abreast of the constant evolution of the industry and its players. More information on the process is available on the Agency's Web site at www.cta.gc.ca/about-nous/decision_process_e.html.

Where possible, the Agency offers facilitation and mediation as alternatives to its formal process. These alternatives allow parties to resolve their issues in an informal manner that is simple, rapid, less litigious and less costly than the Agency's traditional hearing process. In facilitation and mediation, the disputing parties work together to develop solutions and produce collaborative outcomes resulting in better understanding between the parties and in agreements that inspire high levels of satisfaction and commitment.

During 2006–2007, a number of factors have influenced the delivery of the Agency's activities and services, notably the following:

Legislative changes

In 2000 and 2001, the Canada Transportation Act Review Panel conducted a statutory review of the *Canada Transportation Act*. In 2001, the Minister of Transport initiated a blueprint exercise to establish a framework for transportation policy for the future.

As a result of these two initiatives, two bills to amend the *Canada Transportation Act* were introduced in Parliament. Bill C-26, an Act to amend the *Canada Transportation Act*, was introduced in February 2003, but not passed by Parliament. Bill C-44, an Act to amend the *Canada Transportation Act* and to make consequential amendments to other acts was introduced in Parliament in March 2005, but did not receive Royal Assent

before the federal election was called in November 2005. A revised proposal, Bill C-11, was introduced in Parliament in early 2006–2007 and received Royal Assent on June 22, 2007.

The proposed *Canada Airports Act*, which was introduced in the House of Commons in June 2006, includes a fee-setting regime for affected airports, with basic charging principles and notice requirements for setting aeronautical and passenger fees. Pursuant to the proposed Act, the Canadian Transportation Agency would be assigned the responsibility for hearing appeals on non-compliance with the required principles which guide the airports in setting these fees as well as the consultation processes similar to the role it has respecting appeals on user fees set by NAV CANADA.

Outcome of appeals of key agency decisions

In 2005, the Federal Court of Appeal decided an appeal of a significant Agency decision in the area of accessible transportation (Council of Canadians with Disabilities v. Via Rail Canada Inc.). In March 2007, the Supreme Court of Canada upheld the Agency's initial decision. The Agency analysed and addressed the impact the Supreme Court of Canada's decision will have on the way in which it deals with accessible transportation matters.

As of April 1, 2006, there were four appeal cases pending before the Federal Court of Appeal or the Supreme Court of Canada. During the 2006–2007 fiscal year, five new appeal cases were filed before those Courts. The Courts have rendered decisions on five of the appeals; therefore, as of April 1, 2007, four cases remain before de Courts.

Expenditure Review and managing with fewer resources

The Agency's reductions under the Expenditure Review exercise relate to the Air Travel Complaints program, which had been funded on a temporary basis through annual transfers from Transport Canada since the program's introduction in July 2000. With the elimination of the Office of the Air Travel Complaints Commissioner, Transport Canada began phasing out its transfer to the Agency as part of its Expenditure Review commitments. However, the Agency retains the mandate for the program. As a result, beginning in 2005–2006, the Agency began absorbing reductions in Transport Canada funding of approximately $2,645,000 over the three-year implementation horizon.

Several measures were implemented in the previous fiscal years to absorb the funding reduction. These measures included reducing office space requirements and reallocating internal resources. In 2006–2007, the Agency undertook a comprehensive resource review that allowed it to fully absorb the funding reductions while continuing to manage air traveller complaints as required by law and the workload related to the Agency's other legislated and administrative responsibilities.

While the Agency has effectively responded to this challenge, it continues to focus significant effort on identifying ways to manage an increasingly complex workload with its existing resources.

Government-wide initiatives

One of the key challenges facing all government departments is the need to renew their workforces, given an aging public service. This challenge is particularly acute even for small organizations such as the Agency, which require highly specialized expertise to fulfill their mandate. In addition to succession planning, other considerations such as employment equity, requirements of the *Public Service Modernization Act*, values and ethics and learning are all integral to organizational performance. Given the interdependence of these dimensions and their effect on performance, the Agency has developed a three-year strategic human resources plan. This plan identifies several key measures to enable and facilitate organizational renewal.

As part of the public service modernization initiative, all public service managers who had delegated authorities were required to successfully complete an assessment of their knowledge of procurement, human resources, finance and information management by December 31, 2006. All Agency managers successfully completed this requirement.

Facilitation and mediation

In addition to formal adjudication, the Agency has started offering facilitation services to attempt to informally resolve, at the staff level, disputes or concerns regarding future travel. Unlike other dispute resolution methods, facilitation does not require parties to file a formal complaint. However, if they have already done so, facilitation provides a means of resolving their concerns on a more timely basis and to the parties' satisfaction.

The Agency has offered mediation as an alternative to its formal complaint resolution process, since 2000. Voluntary and informal, mediation is confidential and relatively non-confrontational, allowing disputing parties to understand other perspectives, identify facts, check assumptions, recognize common ground and test possible solutions. The process allows disputing parties to develop creative solutions that may not be available through formal adjudication.

In 2006–2007, the Agency continued to offer mediation and facilitation, reaffirming its belief in voluntary dispute resolution as one of its core processes. A diverse range of accessible transportation issues, commercial disputes and infrastructure matters were referred to mediation in 2006–2007. The Agency received 25 new requests for mediation, as compared to 29 in 2005–2006.

In addition to the 25 new requests in 2006–2007, there were 10 mediation requests carried over from the previous year, resulting in a total of 35 mediation requests. Of these:

- one case was settled in pre-mediation discussions;
- ten cases went to mediation, with nine resulting in a full settlement and one resulting in a partial settlement;
- six cases did not proceed; and
- eighteen cases were pending at year-end.

The Agency used facilitation to successfully resolve 22 accessibility-related complaints and eight concerns regarding future travel.

The Agency has used mediation and facilitation to resolve a number of disputes with Canada's major rail carriers, Canadian airport authorities and major air carriers, as well as private citizens. Based on their positive experience, the country's two largest rail carriers consider mediation their first alternative for dispute resolution. An increasing number of service providers continue to demonstrate a positive, cooperative and collaborative approach toward the Agency's mediation program. The Agency will encourage facilitation and mediation for all transportation-related disputes in 2007–2008.

As at March 31, 2007, Parliament was reviewing proposed amendments to the *Canada Transportation Act*, Bill C-11, that would entrench the Agency's mediation process in legislation and foster the greater use of such alternative dispute resolution methods to settle complaints. Bill C-11 subsequently received Royal Assent on June 22, 2007.

Strategic Outcome

The Agency's basis for reporting to Parliament is its Strategic Outcome and Program Activity Architecture (PAA) as reflected in its Management, Resources and Results Structure (MRRS). The purpose of the MRRS is to explain the relationship between the activities the Agency undertakes and the single strategic outcome it is working to achieve. The PAA seeks to describe how the Agency manages the resources under its control to achieve intended results. The performance and financial tables presented in this report were prepared on the basis of a single strategic outcome:

A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system.

This strategic outcome in the MRRS is associated with one program activity which is in turn supported by a number of program sub-activities. The PAA provides a framework that links expected results and performance measures to individual activities. Actual results are reported in terms of PAA activities and five sub-activities (Air Transportation, Rail Transportation, Marine Transportation, Accessible Transportation and Members and Regulatory Support).

Corporate Services refers to the functions that support the development and delivery of the Agency's plans and priorities. Its work is ongoing and multi-faceted and its staff works together with program staff to deliver departmental and government priorities and initiatives. The financial and human resources for Corporate Services have been allocated across the five other program sub-activities.

Financial and Human Resources Information

The resources used in relation to this outcome in fiscal year 2006–2007 are summarized in the following tables.

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual
26,817	27,835	26,551

Human Resources (full-time equivalents, or FTEs)

Planned	Actual	Difference
267	250	17

Summary of Performance by Priority

For 2006–2007, the Agency identified three ongoing priorities and four management priorities (refer to table on Planned and Actual Spending by priority, 2006–2007). These priorities allow the Agency to deliver its mandate, the key element of which is to make sound decisions within the time frames established in the legislation on issues and disputes affecting the transportation system and on matters specified in the legislation as the Agency's responsibility.

Planned and Actual Spending by priority, 2006–2007 (thousands of dollars)

STRATEGIC OUTCOME: A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system		**Planned Spending** 26,817	**Actual** 26,551
ONGOING PRIORITIES			
Fair, effective and efficient resolution of federal transportation issues	Successfully met	26,523	26,296
Removal of undue obstacles for persons with disabilities from federally-regulated transportation	Successfully met		
Protection of the economic and other interests of transportation users, carriers and other affected parties	Successfully met		
MANAGEMENT PRIORITIES *			
Addressing Agency workload and resources challenges	Partially attained and on-going	61	48
Participating in the development of legislative amendments and implementing new or modified requirements that fall under the Agency's jurisdiction	Successfully met	0	0
Succession planning	Partially attained and on-going	183	182
Improving the dispute resolution system	Partially attained and on-going	50	25

* Spending by priority includes only incremental operating expenses that are directly related to the identified management priorities. In addition to these expenses, the organization devoted time and effort to ongoing activities which are accounted for under the ongoing priorities section.

Below is a brief summary of the Agency's achievements by priority area:

Ongoing Priorities

Ensuring fair, effective and efficient resolution of federal transportation issues

Part of the Agency's mandate is to resolve transportation issues affecting all modes in the federal transportation network: air, rail, marine, and, for certain accessibility matters, extra-provincial bus transportation. It does so either by investigating and making formal tribunal decisions on complaints and ordering corrective measures as required, or by helping parties resolve their issues through an alternate dispute resolution process, that is mediation or facilitation. In 2006–2007, the Agency:

- issued 2,980 Agency rulings;
- achieved average processing times of 12 days for charter permits and 13 days for coasting trade applications;
- put measures in place to improve service levels, as resolving more complex complaints within the 120-day statutory deadline continued to pose a significant challenge; and
- in additional to formal decisions, many transportation complaints affecting air, rail and marine transportation were resolved through mediation and informal facilitation by Agency staff.

Removing undue obstacles for persons with disabilities from federally-regulated transportation

The Agency contributes to improving access to the federal transportation system for persons with disabilities by resolving complaints by developing standards, and by carrying out education initiatives. In 2006–2007, the Agency:

- required transportation service providers to take corrective measures regarding 22 undue obstacles to the mobility of persons with disabilities;
- resolved 43 accessibility complaints through mediation, facilitation and formal rulings;
- promoted accessible transportation and uniform service standards for Canadians with disabilities travelling within Canada and abroad; and
- finalised a new Passenger Terminal Accessibility Code of Practice and Guide for release in June 2007.

Protecting the economic and other interests of transportation users, carriers and other affected parties

Although the Government's transportation policy promotes competition and acknowledges market forces, it also recognizes that regulation and strategic public intervention may be required to protect consumers, shippers and Canadian carriers in all modes to ensure Canada has an economic and efficient transportation system that does

not unduly favour, or reduce the inherent advantages of any particular mode of transportation. In 2006–2007, the Agency:

- after reviewing compliance with the air licensing requirements, processed 1,299 air licensing applications, including applications for new licences as well as suspensions, cancellations and reinstatements;
- issued 1,637 charter permits and denied five permit requests;
- participated in negotiations or consultations with 11 countries for new or amended bilateral air agreements or arrangements;
- after investigating suspected illegal air operations, identified 14 contraventions;
- after determining that adequate liability insurance was in place, issued a certificate of fitness to one new railway company and amended four other rail certificates;
- after assessing their environmental impact, allowed four railway construction projects to proceed, and continued to monitor 15 other projects for their potential effect on the environment;
- determined that both the Canadian National Railway Company and the Canadian Pacific Railway Company had exceeded their revenue entitlements under the revenue cap regime for Western grain, and ordered the carriers to pay penalties of $2,835,996 and $1,570,312, respectively to the Western Grains Research Foundation;
- protected the interests of the Canadian marine industry when considering 118 coasting trade applications; and
- issued one ruling that passenger fees set by a port authority were unjustly discriminatory and another that proposed increases in pilotage fees were not prejudicial to the public interest.

Management priorities

The Agency also pursued the following management priorities during 2006–2007:

Addressing Agency workload and resources challenges

Over the past few years, the Agency has taken important steps to ensure that it uses the funds allocated by Parliament to attain better results for Canadians. To effectively manage its workload and resources, the Agency conducts an integrated resource allocation exercise each year. As a key basis for allocating resources, the Agency challenges requests for existing and new resources using risk principles. These principles are part of a framework that considers the overall operating environment, past and projected workloads, human resources and information management needs. This exercise has enabled the Agency to reallocate resources within the Agency to meet priorities and assist areas experiencing temporary workload pressures.

The Agency had to develop a plan to fully absorb, by the end of 2006–2007, reductions related to the elimination of funding for the Air Travel Complaints function.

Consequently, it phased in resource reductions over a three-year time frame, beginning in 2004–2005. Measures included reallocating internal resources and reducing office space requirements. In 2006–2007, the Agency identified sufficient resource savings in all areas to enable the Agency to absorb the funding reduction and continue to resolve consumer complaints, as required by law. While the Agency has resolved this challenge, it continues to focus significant effort on identifying ways to address an increasingly complex workload within existing resources.

During this past year, the Agency continued to enhance its work processes and systems. For example, it piloted a streamlined Agency decision format in several areas. While maintaining its integrity as a legal document, the new format was more client friendly, more concise and less resource intensive. The Agency fully implemented other process improvements during the fiscal year that will eventually result in substantive gains in performance. It also modified information systems to provide better data on caseload and processing times.

While performance information is integrated into the Agency's planning and resource allocation process, the Agency has continued its work to develop a performance measurement framework. During the fiscal year, the Agency began developing performance measures to support its PAA. It also modified the Agency's case management system to provide enhanced performance information. While the Agency has made considerable progress it will continue this work into fiscal year 2007–2008 and beyond as performance measures become more integrated into management practices, enabling the Agency to significantly improve its performance.

Participating in the development of legislative amendments and implementing new or modified requirements that fall under the Agency's jurisdiction

Since its inception, the Agency has contributed to the continual review and improvement of transportation legislation. Each year, through its Annual Report, the Agency assesses the administration of the *Canada Transportation Act*.

During 2006–2007, the Agency continued assisting Transport Canada as it developed proposals to amend the *Canada Transportation Act*. Bill C-11 was introduced in Parliament in early 2006–2007 and received Royal Assent on June 22, 2007.

Addressing succession planning

The Agency took the following measures to address key succession issues.

Internal language training

The Agency's Executive Committee reviewed an evaluation of the In-house Language Training program that showed acquiring second-language skills helped participants progress through the organizational ranks. While certain requirements for improvement were noted, the Executive Committee concluded that the program was a profitable investment in its succession planning strategy, especially given the Agency's

demographics which point to continuing departures and retirements across the organization over the next few years.

Senior management also renewed its commitment to providing internal funding of priority language training for senior employees, particularly in relation to its succession requirements and the need to have candidates who meet the language requirements for managerial and executive positions.

Management Development Assignment Program

No significant changes were made to the Management Development Assignment Program over the reporting period. While senior management still view this program as an important tool for senior staff development and succession, the Agency is repositioning this program as part of its broader review of its three-year strategic human resources plan.

Three-year strategic human resources plan

The Agency developed work plans for implementing the Human Resources Roadmap. The work plans address the Agency's risk-based approach to addressing the seven strategic priorities emerging from the three-year strategic human resources plan: succession planning and maintenance of expertise; continuous learning; values and ethics; employment equity; official languages; staffing, and; organization and classification. While addressing the Agency's own strategic human resources priorities, the work plans are also intended to ensure that the Agency meets central agency policy and accountability requirements at a high level to focus on performance requirements and results.

Improving the dispute resolution system

The Agency monitors performance through a comprehensive case management system that provides information on all applications received and processed, including the number, type and processing times (that is, the time the Agency takes to render a decision after receiving an application). The processing time of cases varies depending on the nature and complexity of the matters raised, the number and interests of parties involved, and the amount of evidence to be collected and analysed. During 2006–2007, the Agency thoroughly analysed its case data and worked to develop plans to improve its levels of service. As a result of this analysis, key performance indicators were identified including the following:

- the percentage of disputes resolved within the statutory deadlines;
- the total average elapsed time;
- the percentage of cases for which filing or statutory deadline extensions are granted; and
- the percentage of cases referred to either facilitation or mediation.

Link to the Government of Canada Outcome Areas

The Agency's strategic outcome and program activity are directly aligned with the broader Government of Canada outcome of *a fair and secure marketplace*. The regulatory programs that the Agency implements are designed to resolve economic issues, to remove transportation barriers and to protect the rights of consumers, carriers and other interested parties. These programs help improve the overall quality of life in Canada, as an efficient and accessible transportation system benefits all Canadians.

The Agency is one of many players involved in transportation and maintains close ties with its various co-delivery partners, including Transport Canada, the Department of Foreign Affairs and International Trade, the Canada Border Services Agency, the Canadian Human Rights Commission, and a number of provincial governments. For details on these relationships, refer to the Agency's Web site at www.cta.gc.ca/about-nous/partners_e.html.

Number and Timeliness of Agency Decisions Issued

Agency decisions cover a wide range of issues affecting all modes of transportation in the federal transportation network: air, rail, marine and for certain accessibility matters, extra-provincial bus transportation. During 2006–2007, the Agency issued a total of 2,980 rulings (as compared with 3,238 in 2005–2006), made up of 1,637 decisions granting charter permits, 663 formal decisions, 630 orders, and 50 final letter decisions. The Agency also issued 273 interim decisions. All formal decisions and orders are posted on the Agency's Web site at www.cta.gc.ca/rulings-decisions/index_e.html. In addition, the Agency's Annual Report describes key decisions that were issued in 2006. It can be found on the Web site at www.cta.gc.ca/publications/ann-rpt/2006/index_e.html.

The *Canada Transportation Act* specifies that the Agency must issue a decision within 120 days of receiving an application or complaint. However, the legislation allows for extension of time if parties agree, which occurs in the more complex cases.

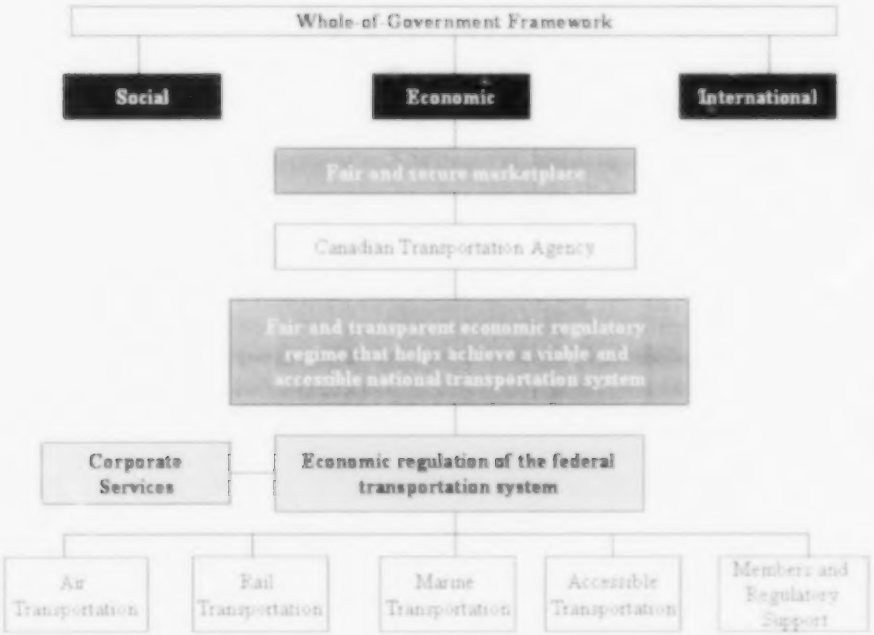
To meet the commercial needs of the transportation industry, the Agency renders most of its decisions within very short time frames. For example, the Agency deals expeditiously with many applications for air charter permits – often within a few hours of receiving the application – and offers a 24-hour telephone service to deal with urgent cases outside normal business hours. Similarly, it handles many urgent coasting trade applications within a few days of receipt. During 2006–2007, the Agency processed air charter permit applications, on average, within 12 days of receipt and coasting trade applications within 13 days.

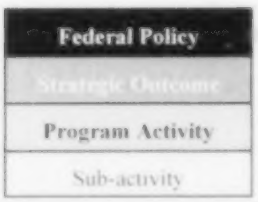
SECTION II – ANALYSIS OF PROGRAM ACTIVITY BY STRATEGIC OUTCOME

2.1 Analysis of Program Activity by Strategic Outcome

The Agency's Place in the Government Framework

The whole-of-government framework provides a structured logic model the Agency can use to map its contribution to a set of high-level Government of Canada "strategic outcomes." These outcomes promote long-term benefits to Canadians and are grouped into three broad policy areas: social, economic and international.





Detailed Analysis by Program Activity

The Agency's PAA reflects the pursuit of **one strategic outcome**:

> A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system.

The Agency has one program activity "the economic regulation of the federal transportation system" which is divided into five sub-activities:

- air transportation;
- rail transportation;
- marine transportation;
- accessible transportation; and
- members and regulatory support.

The contribution of all the major activities to the strategic outcome are discussed below.

Spending and Contribution to Results by Program Area

Program Area	Actual ($000's) 2006–2007	Fair, effective and efficient resolution of federal transportation issues	Removal of undue obstacles from federally-regulated transportation for persons with disabilities	Protection of economic and other interests of transportation users, carriers and other affected parties
Air transportation	**6,993** (79 FTEs)	√		√
Rail transportation	**4,772** (44 FTEs)	√		√
Marine transportation	**562** (6 FTEs)	√		√
Accessible transportation	**1,909** (18 FTEs)		√	
Members and regulatory support	**5,306** (39 FTEs)	√	√	√
Corporate services	**7,009** (64 FTEs)	√	√	√
TOTAL	**26,551 (250 FTEs)**			

Financial Resources by Program Area (thousands of dollars)

Program Activity	2006–2007		
	Planned Spending	Total Authorities	Actual
Air transportation	6,675	7,138	6,993
Rail transportation	4,917	4,650	4,772
Marine transportation	810	746	562
Accessible transportation	2,048	2,212	1,909
Members and regulatory support	5,643	5,638	5,306
Corporate services	6,724	7,451	7,009
Total program activity	**26,817**	**27,835**	**26,551**

Air Transportation

Description and expected results

This sub-activity is responsible for:

- resolving complaints related to carriers' application of their tariff provisions and on prices applied by air carriers on non-competitive routes within Canada to ensure that air carriers licensed to operate in Canada meet the legislative requirements in place to protect Canadians;
- ruling on appeals of new or revised air navigational charges imposed by NAV CANADA to ensure that principles used to establish them are in compliance with the legislation;
- licensing air carriers that provide domestic or international publicly available air transportation services to ensure that carriers hold liability insurance, a valid Canadian aviation document and that Canadian carriers are owned and controlled by Canadian citizens;
- administering a permit system for international charter operations to protect international passenger charter flight advance payments; and
- helping to negotiate and implement international air transport agreements and to administer international air tariffs to ensure that bilateral agreements are implemented fairly, while balancing the interests of all parties.

Results achieved:

Tariffs

Air carriers operating publicly available air services in Canada are required to publish a tariff, setting out their terms and conditions of carriage, fares, rates and charges. These

tariffs must be made available to the public on request. With certain exceptions, tariffs for international services to and from Canada must be filed with the Agency.

The Agency helps to protect the interests of the travelling public, shippers and Canadian air carriers by ensuring that carriers abide by the terms and conditions of carriage, fares, rates and charges set out in their published tariffs; that proposed fares, rates, charges and terms and conditions of carriage are clear, just, reasonable and not unduly discriminatory; and that they are consistent with Canadian legislation and regulations, and with the relevant international agreements.

Most complaints the Agency receives from individuals centre on whether an air carrier has properly applied its tariff. If the Agency finds that it did not, the Agency can order the carrier to properly apply its tariff and to reimburse out-of-pocket expenses that the passenger may have incurred due to the incident. While a few of these complaints are resolved using the quasi-judicial process, the large majority are addressed using an informal process in which Agency employees investigate the complaints to determine their validity and, where appropriate, negotiate settlements between carriers and complainants. During fiscal year 2006–2007, the Agency closed 831 cases (as compared with 560 in 2005–2006).

The Agency also deals with complaints related to whether a tariff is just and reasonable. In such cases, if the Agency determines that a particular provision of a tariff is either unjust or unreasonable, it may order the carrier to amend its tariff. No compensation is payable under such circumstances.

A key decision issued in June 2006 involved the matter of the death in transit of a pet dog that Air Canada was transporting from Smithers, British Columbia, to Winnipeg, via Vancouver. In its decision, the Agency stated that exclusions from liability for the carriage of animals are not unreasonable given the inherent fragility of living creatures and the occasional hardships associated with the carriage of animals in the bellyhold of an aircraft. However, the Agency stated that an air carrier should provide adequate notice of its exclusion from liability for the carriage of animals, especially where it disclaims any liability, to allow persons to make informed choices about the carriage of animals.

The Agency's decision required Air Canada to revise its tariff to set out the means by which it provides such notice to passengers. Such notice must accurately reflect Air Canada's limitations of liability and be set out in clear and unambiguous language.

The Agency is also responsible for formal investigations into complaints against carriers that a fare or a cargo rate published, or offered for a route on which there is little or no competition, is unreasonable. The Agency issued one such decision in 2006–2007.

NAV CANADA Charges

The Agency reviews appeals of new or revised charges for air navigation services implemented by NAV CANADA. Appeals can be filed only if it is established that NAV CANADA has not observed the statutory notice requirements, announcement

requirements, or the charging principles set out in the *Civil Air Navigation Services Commercialization Act*.

On April 18, 2006, NAV CANADA filed an announcement of revised service charges with the Agency. Users, groups of users and representative organizations of users of Canada's air navigation services then had 30 days to file any appeals with the Agency. On May 16, 2006 the Canadian Owners and Pilots Association and the Helicopter Association of Canada each filed an appeal pursuant to the *Civil Air Navigation Services Commercialization Act*. The appeals related to a new $10 daily charge that would have been applied to aircraft weighing three tonnes or less using one of seven major international airports in Canada.

The Agency dismissed the appeals stating, among other matters, that the *Civil Air Navigation Services Commercialization Act* does not prohibit NAV CANADA from applying the new daily charge in addition to the existing annual fee. Furthermore, there was no evidence in the appeals indicating that NAV CANADA had failed to observe the charging principles, nor had any evidence been provided to support the view that the new daily charge represented "double billing."

Licensing and charters

As the Canadian licensing authority for publicly available air services, the Agency licenses Canadian air carriers to transport passengers and cargo within Canada. It also licenses Canadian and foreign applicants to operate scheduled and non-scheduled (charter) international air services to and from Canada. A licence applicant must have adequate liability insurance and must hold a Canadian aviation document issued by Transport Canada. If an applicant proposes to operate commercial air services as a Canadian air carrier, it must prove that it is Canadian-owned and controlled. Also, if a Canadian applicant proposes to use medium or large aircraft, it must meet certain financial requirements. To maintain their licences, all licence holders must continue to hold a valid Canadian aviation document and have adequate liability insurance.

During fiscal year 2006–2007, the Agency processed 1,299 air licensing applications, which included applications for new licences, suspensions, cancellations and reinstatements.

On September 26, 2006, the Agency issued licences to Porter Airlines Inc., a new regional passenger carrier, to operate domestic and non-scheduled international services using medium aircraft. It also issued the company a scheduled international licence on December 19, 2006. Prior to issuing these licences, the Agency reviewed, among other matters, the ownership and control of Porter Airlines Inc., to ensure that it met the Canadian ownership and control requirements defined in the *Canada Transportation Act*.

The Agency grants charter permits to Canadian carriers to transport Canadian-originating passengers and cargo to foreign countries, and to foreign carriers to transport passengers and cargo from Canada to their home country. In the case of international passenger charter flights originating in Canada, the Agency also ensures that advance payments are

protected through a letter of credit or agreement of guarantee that requires the prompt refund of all advance payments received from tour operators and charterers should the air carrier fail to provide the flights. The Agency also receives applications from foreign carriers to transport passengers and cargo between Canada and countries other than their home country. In reviewing these applications, the Agency balances the interests of Canadian travellers and shippers with the interests of affected Canadian carriers. With respect to passenger charter flights between Canada and third countries that do not also involve a service between the carriers' home country and Canada, these applications are considered only under special circumstances and on an exceptional basis and where justified by the applicant.

During 2006–2007, the Agency issued 1,637 charter permits and denied five permit requests.

In July 2006, carriers relied heavily on the Agency's 24-hour service to ensure the safe return of Canadian citizens during the crisis in Lebanon. Working closely with Transport Canada, the Agency used this service to grant on very short notice the authorities and exemptions necessary to allow carriers' operations on behalf of the Government of Canada.

The *Canada Transportation Act* requires air carriers to give notice of intention to discontinue or reduce domestic air services in certain circumstances. The Act also requires them to provide an opportunity for elected officials of the local government of the affected communities to meet with the air carrier to discuss the possible impact of such changes. During fiscal year 2006–2007, the Agency handled two applications for reductions or exemptions to the notice requirements.

Bilateral air transport agreements

The Government of Canada negotiating team — comprised of officials from Transport Canada, the Agency, and the Department of Foreign Affairs and International Trade and led by Canada's Chief Air Negotiator — negotiates air transport agreements with other countries. The Agency is also responsible for the timely implementation and administration of those portions of international air transport agreements and arrangements that fall within the Agency's jurisdiction. This task can involve issuing scheduled international licences and authorities, for example, authorizing code share services.

As of March 31, 2007, Canada had 76 bilateral air transport agreements and arrangements, which provide the frameworks governing primarily scheduled international air services. During the year, Agency staff participated in negotiations with 11 different countries, including the United Kingdom, Brazil, Portugal, Algeria, Croatia, Serbia, and Japan. In addition to issuing new scheduled international licence authorities, the Agency addressed 110 applications relating to bilateral air agreements and arrangements involving such matters as code sharing, leasing of aircraft with flight crews and extra-bilateral authorities.

Regulatory compliance

To ensure regulatory compliance with Canadian law, Agency enforcement staff - located in field offices in six cities across Canada - conduct periodic inspections of Canadian-based licensees and of passenger terminals that fall under the Agency's purview. Staff members also investigate allegations that companies and individuals are operating in contravention of the *Canada Transportation Act* and related regulations. Sanctions for non-compliance range from the assessment of an administrative monetary penalty, to cease and desist orders and formal reprimands. During fiscal year 2006–2007, the Agency completed 306 on-site inspections of Canadian-based air carriers and passenger terminal operators. Of the 60 informal warnings it issued for minor contraventions, 54 went to air carriers and six to passenger terminal operators. The Agency also initiated 25 investigations of carriers or individuals suspected of operating illegal air services in Canada, and identified 14 contraventions.

Detailed statistics and further information on licensing, charter and tariff activities can be found in the Agency's Annual Report for 2006 which is available on its Web site at www.cta.gc.ca/publications/ann-rpt/2006/index_e.html.

Rail transportation

Description and expected results

This sub-activity is responsible for:

- resolving disputes between shippers and rail carriers regarding issues such as: interswitching, competitive or single line rates; joint rates; running rights; joint track usage; and level of service to ensure that shippers have access to alternative railways, adequate level of service and reasonable rates;
- resolving disputes between railway companies and municipalities, road authorities, landowners and others that interact with them to ensure a balance between parties of varying economic stature and a lower-cost, more efficient process to resolve disputes;
- making an independent and fair assessment of the annual revenue caps for CN and CP for the movement of Western grain to ensure the railway companies have not exceeded their revenue entitlement for the movement of Western grain;
- issuing rail certificates of fitness to federally-regulated rail carriers to ensure that they hold adequate liability insurance; and
- assessing the environmental, operational, social and other impacts of proposed railway construction projects and ordering corrective measures as required to ensure the requirements of the *Canadian Environmental Assessment Act* and the interests of localities affected by the proposed lines are taken into account.

Results achieved

Dispute resolution

Regarding rail transportation, some of the provisions of the *Canada Transportation Act* that the Agency administers are intended to ensure that shippers have access to alternative railways, an adequate level of service and reasonable rates. The Agency can

consider applications or complaints related to interswitching, competitive or single line rates, joint rates, running rights and level of service. During the year, the Agency received four level-of-service complaints to add to three outstanding complaints. The new applications the Agency was considering at year-end related to issues such as inadequate rail service, and inequitable car allocation. At year end, four complaints had been settled and three remained outstanding, including one case with wide-ranging implications.

Shippers are also protected through access to a final offer arbitration process administered by the Agency. Final offer arbitration is a confidential method of settling a matter through an independent arbitrator. During this fiscal period, the Agency received six final offer arbitrations requests, all of which were referred by year end for arbitration.

The Agency is required to annually assess the operating costs of the two Class 1 railways, Canadian National Railway Company (CN) and Canadian Pacific Railway Company (CP). During 2006–2007, the Agency finalized the determination of the 2004 unit costs and costing manuals for CN and CP. It developed the 2007 interswitching costs based on site visits to CN and CP rail yards in Vancouver, Edmonton and Winnipeg. Additionally, the Agency developed the 2006 preliminary price indices for labour, material and fuel, and determined the 2006 operating statistics.

The Agency also has a mandate to resolve disputes between railways and other parties. During fiscal year 2006–2007, the Agency resolved 11 formal and numerous informal disputes between railways and municipalities, road authorities, utility companies, landowners and private citizens. Issues under dispute included apportionment of costs for grade separations and for grade crossing protective devices; rights to private crossings; terms and conditions of utility crossings; and the location of road and pipeline crossings. This function ensures a balance between parties of varying economic stature, allows for judicial remedies where parties of different jurisdictions may be in conflict and provides a less expensive, more efficient process for resolving disputes than potentially lengthy and costly court proceedings.

The Agency further assisted parties by initiating a full review to update the *Guide to Railway Charges for Crossing Maintenance and Construction*. The Agency maintains this guide, which sets a nation-wide rate structure for work performed by railway companies related to crossings and similar projects. The guide reduces or eliminates disputes involving invoicing matters between Canadian municipalities or road authorities and railways, while also reducing the administrative burden on the parties. During the year, the Agency consulted with CN and CP to ensure that the upcoming revision to the guide (scheduled to be released in July 2007) will incorporate the most accurate, up-to-date railway costing and operational information.

Western grain revenue caps

In each crop year, ending July 31, the Agency regulates the amount of revenue earned for the movement of statutory grain by rail in Western Canada. The program provides a flexible pricing regime for transporting western grain by rail while safeguarding grain

shippers and farmers from excessive rail rate increases. As part of this program, the Agency annually determines the maximum revenue entitlement (also known as the revenue cap) for CN and CP for the movement of this grain. Then it determines the actual revenues CN and CP earned, and compares them with this revenue cap. This was the Agency's sixth year for making revenue cap determinations.

In 2006–2007, the Agency found that, both CN and CP's actual revenue exceeded their respective revenue cap for the crop year 2005–2006. As a result, CN and CP had to pay the difference between their actual revenue and their respective revenue cap plus a 5-per-cent penalty to the Western Grains Research Foundation, a total of $2,835,996 for CN and $1,570,312 for CP. This decision is available on the Agency's Web site at www.cta.gc.ca/rulings-decisions/decisions/2006/R/719-R-2006_e.html. CN appealed a portion of this ruling to the Federal Court of Appeal and this appeal was pending at March 31, 2007.

The Agency's administrative responsibilities for the revenue cap program include determining an annual inflation index (known as the volume-related composite price index), which is factored into each railway's revenue cap. To determine the inflation index, the Agency consults with parties in the grain-handling and transportation industry, including producer representatives, shipper organizations, railway companies, grain companies, and federal, provincial and municipal governments. It also verifies and audits detailed information in railway submissions.

The Agency was also required to adjust the revenue caps for CN and CP to include the leasing costs of hopper cars owned by the Canadian Wheat Board, which were previously provided free of charge to the railways. Agency Decision No. LET-R-113-2006 dated April 27, 2006, determined that the volume-related composite price index for crop year 2006–2007 would be adjusted by approximately 1.24 per cent to take into account the Canadian Wheat Board's withdrawal from service of approximately 3,500 hopper cars, followed by the subsequent lease of these cars to CN and CP.

Certificates of fitness

The Agency issues certificates of fitness when it is satisfied that a company proposing to construct or operate a railway under federal jurisdiction has adequate liability insurance. Certified companies are then monitored for continued compliance. During 2006–2007, it issued one new certificate to Great Canadian Railtour Company Ltd. to operate a tourist train through trackage agreements with CN and CP in the provinces of British Columbia and Alberta. The Agency also amended four certificates for existing companies. It monitors all 35 existing federal railways for continual compliance with the Agency's insurance requirements.

Railway line construction assessments

The Agency is also responsible for assessing the environmental, economic, operational, social and other impacts of railway line construction in Canada. In 2006–2007, the Agency approved the construction of two portions of the proposed Ottawa light rail transit line, the construction of a new railway spur near Woodstock, Ontario and the

diversion of an existing railway line near Milk River, Alberta. In so doing, the Agency took into account the requirements for railway operations and services, the interests of the localities that would be affected by the proposed construction, and the requirements of the *Canadian Environmental Assessment Act* (CEAA). In addition, it allowed one railway crossing project and three utility crossing projects to proceed under the CEAA once it was assured there would be no significant adverse environmental effects. It continued to assess and monitor 15 other projects that will likely require Agency approval in future, such as the proposed Pearson airport rail link in Toronto, for their potential effect on the environment.

Economic regulation

The Agency's role as an economic regulator of railways under federal jurisdiction expanded considerably in 2005 with CN's acquisition of BC Rail in the previous year. The purchase of BC Rail, the third-largest railway in Canada, with 2,300 kilometres of track, increased the size of the federal railway system subject to the Agency's jurisdiction and also gave the Agency a new monitoring responsibility.

In response to concerns from shippers, the Competition Tribunal, in approving the purchase, required the Agency to monitor CN's transit times to deliver railway cars along the former BC Rail lines from northern British Columbia to Vancouver interchanges - both when shippers are using only CN service to deliver their goods and when their loads are being switched to competing railways. The Agency must carry out comparative analysis of CN transit times and benchmark BC Rail times from five zones in northern B.C. to the Vancouver area. Then it must regularly submit reports to CN, connecting carriers in Vancouver and the Competition Bureau. In 2006–2007, the Agency issued four transit time reports covering the last quarter of 2005 and the first three quarters of 2006. Some interline traffic in certain zones was under the benchmark while some exceeded the benchmark, but not at a level significant enough to indicate any operational difficulties.

Details of the Agency's rail transportation activities can be found in the Agency's Annual Report for 2006 which is available on the Agency's Web site at www.cta.gc.ca/publications/ann-rpt/2006/index_e.html (refer to the Rail Transportation chapter). Information is also available in the Web site's rail section.

Marine Transportation

Description and expected results

This sub-activity is responsible for:

- resolving complaints about user fees charged by Canadian port authorities and the St. Lawrence Seaway Management Corporation to determine if they are unjustly discriminatory;
- ruling on objections to proposed pilotage charges to determine whether the pilotage authority has based its fees to continue operations on a self-sustaining

financial basis, and if the proposed user charges are fair, reasonable and in the public interest;
- resolving complaints that shipping conference agreements or actions by a member of a cartel of shipping lines substantially reduces competition and results in an unreasonable increase in price or a reduction in service; and
- determining if Canadian ships are available to operate commercial services proposed to be provided by foreign ships in Canadian waters to ensure that no foreign ships will be allowed to operate commercial services in Canadian waters if a suitable Canadian ship is available to carry out the services.

Results achieved

Canada Marine Act

Under the *Canada Marine Act*, the Agency may investigate complaints about fees set by the port authorities, which manage operations at major ports across the country. Also under this Act, the Agency may investigate complaints regarding tolls set by the St. Lawrence Seaway Management Corporation and the Federal Bridge Corporation.

After individuals and companies filed a series of complaints in October 2005 alleging unjust discrimination in passenger fees imposed by the Nanaimo Port Authority in British Columbia, the Agency carried out an investigation which included a public hearing in Nanaimo in May 2006. The Agency ruled at the end of June 2006 that the passenger fees were unjustly discriminatory and should be replaced. After the Agency issued its ruling, the Nanaimo Port Authority applied to the Federal Court for leave to appeal the Agency decision. The Federal Court granted leave to appeal and heard the case at the end of May 2007, when a ruling from the bench dismissed the application and upheld the Agency ruling.

No complaints were filed in 2006–2007 regarding tolls set by the St. Lawrence Seaway Management Corporation and the Federal Bridge Corporation.

Pilotage Act

Under the *Pilotage Act*, most ships entering or leaving major Canadian ports or traversing Canadian waterways must have a qualified Canadian marine pilot on board to navigate. Four pilotage authorities (Atlantic, Laurentian, Great Lakes and Pacific) are responsible for pilotage services in their respective regions and set the tariffs for these services. The Agency has the mandate, upon objection, to investigate whether any proposed tariff increase is in the public interest.

In June 2006, the Governor in Council rescinded an Agency ruling of October 2005 which had concluded that a Laurentian Pilotage Authority (LPA) tariff proposal in March 2005 was prejudicial to the public interest. In October 2006, the LPA published a proposed tariff increase with an effective date of January 1, 2007. Objections were filed against this tariff proposal and the Agency was in the midst of an investigation at the end of the fiscal year. The Agency is expected to issue a ruling on the tariff proposal in fiscal year 2007–2008.

In May 2006, the Great Lakes Pilotage Authority (GLPA) published a tariff proposal that prompted an objection by the Canadian Shipowners Association. The Agency ruled in October 2006 that the tariff proposal was not prejudicial to the public interest and could be implemented. In October 2006, the Atlantic Pilotage Authority published proposed tariff increases for eight compulsory pilotage areas. No objections were filed regarding these proposed increases.

In July 2006, the Pacific Pilotage Authority published a tariff proposal and no objections were filed with the Agency. In February 2007, the GLPA published a tariff proposal to continue a 2 per cent surcharge to generate revenue to repay bank loans. No objections were filed against this tariff proposal.

Shipping Conferences Exemptions Act

Under the *Shipping Conferences Exemption Act*, a person may file a complaint with the Agency if he or she believes that a conference agreement or an action by a member line reduces competition and results in an unreasonable increase in price or a reduction in service. No complaints under this Act were filed in 2006–2007.

Coasting Trade Act

Under the *Coasting Trade Act*, the transport of goods, passengers and any other commercial activity in Canadian waters, including the continental shelf area, is reserved for Canadian-registered vessels, except where no suitable Canadian vessels are available to carry out an activity. Before an applicant can get a coasting trade licence to bring a foreign vessel into Canadian waters for a commercial activity, the Agency must determine that no suitable vessel in the Canadian marine industry is available. In 2006–2007, the Agency processed 118 coasting trade applications (as compared with 100 in 2005–2006). Of these, 99 were approved and one was denied. Ten applications were withdrawn (no Agency ruling required) and eight applications were outstanding at the end of the fiscal year.

In most cases (93 out of 100 where a ruling was issued), there were no offers of Canadian vessels from the Canadian marine industry so the Agency ruled that there were no suitable Canadian ships available. Forty-five applications related to large petroleum tankers, while the other applications related a mixture of specialized ships such as seismic vessels, drilling vessels and passenger vessels. The average processing time for coasting trade applications in 2006–2007 was 13 days.

Details of the Agency's marine transportation activities can be found in the Annual Report for 2006 (refer to the Marine Transportation chapter), which is available on the Agency's Web site at www.cta-otc.gc.ca/publications/ann-rpt/2006/index_e.html and in the marine section of the Web site.

Accessible Transportation

Description and expected results

This sub-activity is responsible for:

- resolving complaints, promulgating regulations, developing codes of practice and standards concerning the level of accessibility in modes of transport under federal jurisdiction, and communicating with the transportation industry and the community to ensure that all modes of federally-regulated transportation are accessible to persons with disabilities by removing undue obstacles to their mobility and to increase awareness about industry and consumer rights and obligations.

Results Achieved

The case-by-case approach

When travellers with disabilities believe they have encountered an undue obstacle, they may contact the Agency for help. If the parties do not agree to resolve the complaint through mediation or facilitation, the Agency will investigate the complaint to determine whether an obstacle exists and whether it is undue.

Through the years, the Agency has received several complex applications that raise significant issues that, due to their importance to industry and to persons with disabilities, have required oral hearings, expert evidence, and extensive analysis. These issues have included issues related to obesity or allergies, both of which are "grey area" disabilities that require a case-by-case analysis to assess whether a particular individual is a person with a disability in the context of the federal transportation network. The Agency is also involved in hearings in other complex cases that raise equally significant issues such as the cost of additional seating needed by persons with disabilities and matters involving medical oxygen on board aircraft. The hearing in the former case was held in November 2006. The Agency will hold a hearing in October 2007 to hear and test evidence regarding the possibly undue obstacles faced by persons requiring medical oxygen to travel by air. The Agency decisions in these matters can be significant for both the industry and the community of persons with disabilities.

In addition to addressing these complex issues, the Agency received 43 new complaints last year involving travellers with disabilities compared with 50 in 2005–2006. Of the 62 complaints closed during the year, which included some cases outstanding from the previous year, 15 were closed through the issuance of an Agency ruling, six were settled through mediation, and 22 complaints were withdrawn as a result of facilitation by Agency staff. The other complaints were closed because the applicant failed to provide information necessary to complete the application. In addition, the Agency acted as a facilitator in eight cases to resolve matters prior to travel, thus avoiding potential complaints.

Approximately 59.5 per cent of the issues that were found to constitute undue obstacles involved services, such as, assistance in boarding or disembarking, or assistance related

to mobility aids. The other 40.5 per cent involved the communication of information. To address these undue obstacles, the Agency ordered 37 corrective measures.

In 2006–2007, the Supreme Court of Canada allowed the Council of Canadians with Disabilities' appeal from the Federal Court of Appeal's decision regarding the matter of Council of Canadians with Disabilities v. Via Rail Canada Inc. (VIA). This judgement restored the Agency's preliminary and final decisions in this case, thereby requiring VIA to implement corrective measures related to its Renaissance rail cars, as ordered by the Agency.

The Supreme Court of Canada judgement, issued on March 23, 2007, relates to the Agency's adjudication of complaints under the accessible transportation provisions in Part V of the *Canada Transportation Act*. This judgement has implications for the Agency in its consideration of accessibility-related applications. After the Supreme Court of Canada issued its decision, the Agency reactivated six cases, that the Agency had placed on hold pending the issuance of this judgement. The Agency also determined that the Supreme Court of Canada judgement has implications for the processing of accessibility complaints. In part, the Agency determined that for new complaints:

- parties would be provided with an explanation of the test that the applicant must meet to establish that an obstacle was encountered, failing this, the Agency would dismiss the application;
- parties would be provided with an explanation of the new undue hardship test, the elements of this test, and the burden of proof as this applies to respondent service providers.

In terms of certain ongoing complaints, the Agency determined that parties should be provided with a further opportunity to file submissions, in light of the new undue hardship test. Wording has been added to Agency decisions to set out the approach to the determination of obstacles and the undueness of obstacles.

The systemic approach

The Agency has developed regulations, codes of practice and guidelines to make public transportation by air, rail and ferry more accessible to persons with disabilities. It developed these standards in consultation with associations of and for persons with disabilities, seniors, manufacturers, carriers, terminal operators and other service providers. They are available on the Agency's Web site at www.cta.gc.ca/access/index_e.html.

The Agency uses various methods to assess the level of industry compliance with the Agency's codes of practice, including site visits, discussions with service providers, Web site reviews, reviews of contracts, periodic surveys and written reports from carriers and terminal operators, on their measures to meet code requirements. Many of these methods give transportation service providers a chance to exchange information and obtain guidance that will help them implement accessibility improvements more quickly.

In 2006–2007, Agency staff specifically continued to monitor the Communication Code introduced in 2004, a code of practice for removing communication barriers for travellers with disabilities. Staff met with transportation service providers to discuss its implementation and to clarify related issues. The Agency also continued to help service providers draft their multiple format policies, as required by the code, to provide information to passengers with disabilities in formats that complement or replace conventional print or video products.

Given the number of Agency codes of practice and the increased number of entities involved, the Agency began a study on other forms of monitoring methods in 2006–2007 to improve efficiency and enhance compliance levels. This review will continue in 2007–2008.

The Agency also issued information bulletins to those subject to the Communication Code including an update of the Canadian Standards Association's Accessible Design for Self-Service Interactive Devices standard.

In 2006–2007, the Agency continued to develop a passenger terminal accessibility code applicable to the air, rail and ferry modes of transportation, as part of its efforts to make the federal transportation network more accessible to persons with disabilities.

It held a public consultation on the issue and publicized the consultation by sending approximately 600 e-mails and 2,700 letters to members in its accessibility database. The consultation was also featured prominently on the Agency's Web site. The Agency held several meetings and discussions with terminal operators and conducted written consultations with the Agency's Accessibility Advisory Committee.

In 2006–2007, the Agency also developed an accompanying guide that includes practical information and resources to help transportation service providers implement the new code. This guide documents existing best practices in accessible Canadian terminal operations and notes other best practices identified in international terminals as well as practical suggestions and a variety of resources for the implementation of the terminal code provisions.

The Passenger Terminal Accessibility Code, as well as the accompanying guide, was released at the 11th International Conference on Mobility and Transport for Elderly and Disabled Persons (TRANSED) in Montréal in June 2007.

As part of its outreach program, the Agency also undertakes liaison and monitoring activities that directly support its mandate to remove undue obstacles.

In 2006–2007, the Agency examined eight training programs as part of its enforcement work to ensure that affected carriers and terminal operators in the air, rail and ferry modes comply with the Agency's *Personnel Training for the Assistance of Persons with Disabilities Regulations*.

This monitoring and the resulting changes ensure that the training provided to transportation service personnel is comprehensive and appropriate, thereby helping to prevent obstacles from arising in the first place. In determining which carriers and facilities to visit, Agency staff gives consideration to, among other factors, issues raised by the community of persons with disabilities and new entrants to the industry.

The Agency also monitors service providers' tariffs, public information (including that contained on Web sites), and procedural and flight manuals to ensure that they are consistent with the Agency's regulations regarding the carriage of persons with disabilities.

Education is an essential element of the Agency's outreach program, which is especially important when new providers enter the federal transportation network, and when service providers change the way they do business and respond to market forces. In response to requests, Agency employees help service providers prepare their policies, set their terms and conditions of carriage, design their training programs, and address specific problems their passengers face regarding accommodation. For example, in anticipation of the 2007 Canada Winter Games in Whitehorse, staff met with officials of the following facilities to promote the importance of effective training: Yellowknife Airport, Inuvik Mike Zubko Airport, Whitehorse International Airport, Vancouver International Airport, Edmonton International Airport, Norman Wells Airport and Montréal's Pierre Elliot Trudeau International Airport. Agency employees also educate persons with disabilities about what they can expect as they access the transportation network and how best to prepare for their travel to avoid obstacles.

All Canadian travellers benefit from these measures and, since the incidence of disability increases with age, the demand for accessible transportation will be even greater as Canada's population ages.

More information about the Agency's accessible transportation program can be found in the Annual Report for 2006, available on the Agency's Web site at www.cta-otc.gc.ca/publications/ann-rpt/2006/index_e.html.

SECTION III – SUPPLEMENTARY INFORMATION

3.1 Organizational Information

The Agency exercises its powers through its seven Members, appointed by the Governor in Council: a Chairman, a Vice-Chairman and five full-time Members. The Minister can also appoint up to three temporary Members.

The Chairman is accountable for the Agency's single program. All appointed Agency Members are accountable for making quasi-judicial decisions on individual matters before the Agency. Agency employees advise and support Members with these proceedings.

The Agency's organizational structure comprises four branches: the Rail and Marine Transportation Branch, the Air and Accessible Transportation Branch, the Legal Services and Secretariat Branch, and the Corporate Management Branch. The head of each branch as well as Communications and Internal Audit and Evaluation report to the Chairman.

The two program branches, the Rail and Marine Transportation Branch and the Air and Accessible Transportation Branch, relate to the Agency's regulatory functions. The Legal Services and Secretariat Branch performs regulatory activities and the Corporate Management Branch provides administrative support.

The Agency's headquarters are located in the National Capital Region. Agency personnel working in field offices in six cities across Canada carry out air and accessibility enforcement activities. More information about the role and the structure of the Agency can be found at its Web site at www.cta.gc.ca/about-nous/index_e.html.

3.2 Financial Performance Overview

As with most administrative tribunals, approximately 82 per cent of the Agency's expenditures are related to personnel costs. The Agency does not have any major capital projects. Other operating expenditures relate to the delivery of Agency activities and range from the costs associated with holding public hearings to the cost of ensuring that Agency employees have the proper electronic tools to do their jobs.

Financial Summary Tables

The Agency has one program activity – the economic regulation of the federal transportation system.

Table 1 Comparison of Planned to Actual Spending (including FTEs)

(thousands of dollars)	2004–2005 Actual	2005–2006 Actual	2006–2007 Main Estimates	2006–2007 Planned Spending	2006–2007 Total Authorities	2006–2007 Actual
Economic regulation of the federal transportation system *	27,176	27,633	26,817	26,817	27,835	26,551
Less: Non-Respendable revenue	(80)	(129)	0	0	(92)	(92)
Plus: Cost of services received without charge	3,715	3,710	3,483	3,483	3,421	3,421
Total Agency Spending	**30,811**	**31,214**	**30,300**	**30,300**	**31,164**	**29,880**
Full-time Equivalents	**270**	**269**	**267**	**267**	**267**	**250**

* Includes contributions to employee benefit plans.

Explanation of variances

The planned spending for the Agency in 2006–2007 was $26.8 million, however, the Agency concluded the year with a revised authority of $27.8 million. The change was due to an increase in appropriations for collective bargaining ($0.3 million) and the operating budget carry forward ($1.0 million) offset by a slight decrease in the employee benefit plan ($0.3 million).

Overall, the Agency's total authority in 2006–2007 was $27.8 million; however, the Agency concluded the year with actual spending of $26.6 million. The decrease of $1.2 million is primarily due to program-specific carry-forwards.

Table 2 Resources by Program Activity

(thousands of dollars)						
	2006–2007					
	Budgetary					
Program Activity:	**Economic regulation of the federal transportation system**					
	Operating	Contributions and other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	**Total**
Main Estimates	26,817	0	26,817	0	26,817	**26,817**
Planned Spending	26,817	0	26,817	0	26,817	**26,817**
Total Authorities	27,835	0	27,835	92	27,743	**27,743**
Actual Spending	26,551	0	26,551	92	26,459	**26,459**

Table 3 Voted and Statutory Items

(thousands of dollars)					
		2006–2007			
Vote	**Truncated Vote or Statutory Wording**	**Main Estimates**	**Planned Spending**	**Total Authorities**	**Actual**
	Canadian Transportation Agency				
35	Operating expenditures	23,173	23,173	24,573	23,289
(S)	Spending of proceeds from the disposal of surplus Crown assets	0	0	65	65
(S)	Contributions to employee benefit plans	3,644	3,644	3,197	3,197
	Total	**26,817**	**26,817**	**27,835**	**26,551**

Table 4 Services Received Without Charge

(thousands of dollars)	2006–2007
Accommodation provided by Public Works and Government Services Canada	1,870
Contributions covering employer's share of employees' insurance premiums and expenditures paid by Treasury Board of Canada Secretariat (TBS) (excluding revolving funds). Employer's contribution to employees' insured benefits plans and associated expenditures paid by TBS	1,537
Worker's compensation coverage provided by Human Resources and Social Development Canada	14
Salary and associated expenditures of legal services provided by the Department of Justice Canada	0
Total 2006–2007 Services received without charge	**3,421**

Table 5 Sources of Non-respendable Revenue

	2004–2005	2005–2006	2006–2007			
(thousands of dollars)	**Actual**	**Actual**	**Main Estimates**	**Planned Revenue**	**Total Authorities**	**Actual**
Refunds of previous years' expenditures	28.2	104.7	0.0	0.0	48.1	48.1
Administrative Monetary Penalties	50.8	24.0	0.0	0.0	40.0	40.0
Sales of Goods and Services	1.4	0.1	0.0	0.0	4.1	4.1
Total Non-respendable revenue	**80.4**	**128.8**	**0.0**	**0.0**	**92.2**	**92.2**

Table 6 Resource Requirements by Branch (thousands of dollars)

2006–2007		
Branches	**Planned Spending**	**Actual**
Chairman's Office	**3,584**	**3,397**
Corporate Management	**5,626**	**5,884**
Rail and Marine Transportation	**5,867**	**5,444**
Air and Accessible Transportation	**8,576**	**8,792**
Legal Services and Secretariat	**3,164**	**3,034**
Total	**26,817**	**26,551**

Table 7-A 2006–2007 User Fee Reporting - *User Fees Act*

A. User Fee	Fee Type	Fee Setting Authority	Date Last Modified	2006–2007					Planning Years		
				Forecast Revenue ($000)	Actual Revenue ($000)	Full Cost ($000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue ($000)	Estimated Full Cost ($000)
Fees charged for the processing of access requests filed under the *Access to Information Act* (ATIA)	Other products and services (O)	*Access to Information Act*	1992	< 1	< 1	5	Responses provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request The *Access to Information Act* provides fuller details: http://laws.justice.gc.ca/en/A-1/218072.html	60-day processing standard met 83 per cent of the time.	07-08 08-09 09-10	< 1 < 1 < 1	9 9 9
			Total (O)	< 1	< 1	5		Total	07-08 08-09 09-10	< 1 < 1 < 1	9 9 9

Table 7-B 2006–2007 User Fee Reporting - *Policy on Service Standards for External Fees*

Supplementary information on Service Standards for External Fees can be found at www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

Table 8 Financial Statements

Financial Statements are prepared in accordance with accrual accounting principles. The unaudited supplementary information presented in the financial tables in the Departmental Performance Report is prepared on a modified cash basis of accounting in order to be consistent with appropriations-based reporting. Note 3 of the financial statements reconciles these two accounting methods.

CANADIAN TRANSPORTATION AGENCY
Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with Agency management. These financial statements have been prepared by management in accordance with Treasury Board Accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the *Agency's Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency.

The Agency has established an internal audit infrastructure that is effective, independent and objective, consistent with Treasury Board policy, managed by a dedicated resource reporting directly to the Deputy Head. The Agency's Audit Committee is chaired by the Deputy Head, with two other Agency Members, who are independent of operational functions. The Audit Committee approves the annual risk-based internal audit plan, budgets and reports.

The financial statements of the Agency have not been audited.

Geoffrey Hare,
Chairman and Chief Executive Officer
Gatineau, Canada
August 1st, 2007

Arun Thangaraj,
Senior Financial Officer

Canadian Transportation Agency
Statement of Operations (unaudited)
for the year ended March 31st

	2007	2006
	(in dollars)	
Operating Expenses		
Salaries and employee benefits	23,588,036	25,535,362
Accommodation	1,869,734	2,080,128
Professional and special services	1,482,610	1,274,736
Transportation and telecommunication	964,909	930,094
Amortization of tangible capital assets	663,932	726,644
Repair and maintenance	337,109	408,760
Rentals	272,285	307,452
Utilities	219,453	202,843
Information	160,818	169,059
Materials & supplies	97,434	64,565
Loss on write-down of tangible capital assets	23,152	2,959
Loss on disposal of tangible capital assets	10,135	46,198
Other	831	2,407
Total Expenses	29,690,438	31,751,207
Revenues		
Revenue from fines	40,095	24,000
Sales of goods and services	4,094	116
Gains on disposal of tangible capital assets	57	3,036
Total Revenues	44,246	27,152
Net Cost of Operations	29,646,192	31,724,055

The accompanying notes form an integral part of these financial statements.

Canadian Transportation Agency
Statement of Financial Position (unaudited)
at March 31st

	2007	2006
	(in dollars)	
ASSETS		
Financial Assets		
Accounts receivable from external parties	6,402	39,233
Receivables from other Federal Government departments and agencies	476,715	97,972
Employee advances	12,850	16,060
Total financial assets	495,967	153,265
Non-Financial Assets		
Prepaid expenses	177,746	200,435
Inventory	100,544	92,292
Tangible capital assets (Note 4)	2,624,596	2,514,552
Total non-financial assets	2,902,886	2,807,279
TOTAL	**3,398,853**	**2,960,544**
LIABILITIES		
Accounts payable & accrued liabilities to external parties	1,441,416	1,184,951
Accounts payable to other Federal Government departments and agencies	119,842	341,842
Vacation pay and compensatory leave	909,520	1,072,306
Employee severance benefits (Note 5)	4,153,663	4,128,421
	6,624,441	6,727,520
Equity of Canada	(3,225,588)	(3,766,976)
TOTAL	**3,398,853**	**2,960,544**

The accompanying notes form an integral part of these financial statements.

Canadian Transportation Agency
Statement of Equity of Canada (unaudited)
at March 31st

	2007	2006
	(in dollars)	
Equity of Canada, beginning of the year	(3,766,976)	(3,533,582)
Net cost of operations	(29,646,192)	(31,724,055)
Current year appropriations used (Note 3a))	26,550,696	27,633,407
Revenue not available for spending	(44,151)	(27,152)
Refund of previous year expenditures	(48,096)	(104,682)
Change in net position in the Consolidated Revenue Fund (Note 3c))	308,237	279,509
Services provided without charge by other Federal Government departments and agencies (Note 6)	3,420,894	3,709,579
Equity of Canada, end of year	(3,225,588)	(3,766,976)

The accompanying notes and schedules form part of this Statement.

Canadian Transportation Agency
Statement of Cash Flow (unaudited)
for the year ended March 31st

	2007	2006
	(in dollars)	
Operating Activities		
Net cost of operations	29,646,192	31,724,055
Non-cash items:		
Amortization of tangible capital assets	(663,932)	(726,644)
Loss on disposal and write-down of tangible capital assets	(33,287)	(49,157)
Services provided without charge by other Federal Government departments and agencies	(3,420,894)	(3,709,579)
Variations in Statement of Financial Position:		
Increase in accounts receivable	345,912	30,774
Increase (decrease) in employee advances	(3,210)	102
Increase (decrease) in pre-paids	(22,689)	22,351
Decrease (increase) in accounts payable and accrued liabilities	(34,465)	376,773
Decrease in vacation pay and compensatory leave	162,786	26,978
(Increase) in employee severance benefits	(25,241)	(432,049)
Increase in inventory	8,252	100
Cash used by operating activities	25,959,424	27,263,704

Capital investment activities		
Net acquisitions of tangible capital assets	807,262	645,956
Proceeds from disposal of tangible capital assets	-	(128,578)
Cash used by capital investment activities	807,262	517,378
Financing activities		
Net Cash provided by Government of Canada	26,766,686	27,781,082

The accompanying notes and schedules form part of this Statement.

Canadian Transportation Agency
Notes to the Financial Statements (unaudited)
Year ended March 31, 2007

1. Authority and Objectives

The Canadian Transportation Agency (the Agency) was established on July 1, 1996, under the *Canada Transportation Act*, (S.C. 1996, c. 10) (the Act), as the continuation of the National Transportation Agency. As an independent quasi-judicial tribunal, the Agency has a multi-faceted role. It is an economic regulator, licensing authority, accessibility facilitator and aeronautical authority. It has the power of a superior court to issue decisions and order on matters within its jurisdiction. Under the Act and related legislation, it has various powers to help implement the federal government's transportation policy. The Chairman and Chief Executive Officer is appointed by the Governor-in-Council.

The objective of the Agency is to contribute to the attainment of an efficient and accessible Canadian transportation system that serves the needs of shippers, carriers, travellers and other users.

The Agency's mission is to administer transportation legislation and government policies to help achieve an efficient and accessible transportation system by education, consultation and essential regulation.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – the Agency is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Agency do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government - The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF. The net cash

provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non respendable revenue recorded by the Agency. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues:
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses – Expenses are recorded on the accrual basis:
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The Agency's contributions to the Plan are charged to expenses in the year incurred and represent the total Agency obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.

(ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Receivables – these are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.

(h) Contingent liabilities - Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense

recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) Inventories not for re-sale – These comprise of brochures that are held for future program delivery and are not intended for re-sale. They are valued at cost. If they no longer have service potential, they are written-off as there are no realizable value for these items.

(j) Tangible capital assets – All tangible capital assets and leasehold improvements are recorded at their acquisition cost (refer to the following table for the initial cost threshold). The capitalization of software and leasehold improvements has been done on a prospective basis from April 1, 2001. Amortization of capital assets is done on a straight-line basis over the estimated useful life of the capital asset as identified in the table.

Agency Asset Categories	**Agency Useful Life**		**Threshold (initial cost equal/or more than)**	
	Non-LAN	LAN	Non-LAN	LAN
Informatics Hardware	3–5 years	3-10 years	$1	$1
Software	3 years	Based on business case	$500	$1
Furniture	15 years	10 years	$1,000	$1
Accommodation improvements	Assessed on a case by case basis	Assessed on a case by case basis	$10,000	$1
Car	7 years	N/A	$10,000	N/A
Assets under construction	Not amortized until in service. Once in service, in accordance with asset category			

(k) Measurement uncertainty - The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as

adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Agency receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used

		2007	2006
		(in dollars)	
Net cost of operations		29,646,192	31,724,055
Adjustments for items affecting net cost of operations but not affecting appropriations:			
Add (Less) :			
	Services provided without charge by other Federal Government departments and agencies	(3,420,894)	(3,709,579)
	Amortization of tangible capital assets	(663,932)	(726,644)
	Revenue not available for spending	44,151	27,152
	Refunds of previous years expenditures	48,096	104,682
	(Loss) on disposals and write-offs of tangible capital assets	(33,287)	(49,157)
	Increase vacation pay and compensatory leave	162,786	26,978
	(Decrease) employee severance benefits	(25,241)	(432,049)
	Other	-	48,463
		(3,888,321)	(4,710,154)
Adjustments for items not affecting net cost of operations but affecting appropriations			
Add (Less) :	Acquisitions of tangible capital assets (Note 4)	807,262	597,054
	Increase (decrease) prepaid expenses	(22,690)	22,352
	Increase in inventory	8,253	100
Current year appropriations used		26,550,696	27,633,407

(b) Appropriations provided and used

	2007	2006
	(in dollars)	
Operating expenditures (Vote 40 and 40a)	24,572,550	24,736,760
Statutory amounts	3,261,996	3,773,869
Less:		
Appropriations available for future years	-	(64,624)
Lapsed appropriations - Operating	(1,283,850)	(812,598)
Current year appropriations used	26,550,696	27,633,407

(c) Reconciliation of net cash provided by Government to current year appropriations used

	2007	2006
	(in dollars)	
Net cash provided by Government	26,766,686	27,781,082
Revenue not available for spending	44,151	27,152
Refund of previous years expenditures	48,096	104,682
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(345,912)	(30,774)
Variation in employee advances	3,210	(102)
Variation in accounts payable and accrued liabilities	34,465	(376,773)
Proceeds from disposal of tangible capital assets	-	128,578
Reversal of expenses related to Justice Canada	-	(438)
	(308,237)	(279,509)
Current year appropriations used	26,550,696	27,633,407

4. Tangible Capital Assets
(in dollars)

	Capital asset class					
	Informatics Hardware	Software	Furniture	Car	Assets under construc -tion	Total
Cost						
Opening Balance	2,917,532	1,980,874	1,209,045	22,157	134,210	6,263,818
Acquisitions	349,910	460,788	63,360	-	359,364	1,233,422
Disposals and write-offs	373,330	-	54,279	-	426,160	853,769
Closing balance	2,894,112	2,441,662	1,218,126	22,157	67,414	6,643,471
Accumulated amortization						
Opening balance	2,313,296	857,465	575,617	2,887		3,749,265
Amortization	303,610	264,120	93,537	2,665		663,932
Disposals and write-offs	359,297		35,025			394,322
Closing balance	2,257,609	1,121,585	634,129	5,552		4,018,875
2007						
Net book value	636,503	1,320,077	583,997	16,605	67,414	2,624,596
2006						
Net book value	604,236	1,123,408	633,428	19,270	134,210	2,514,552

Amortization expense for the year ended March 31, 2007 is $ 663,932 (2006 - $726,644). During the year, $426,160 of assets under construction was transferred to software and to furniture. The net acquisition of tangible capital assets is therefore, $807,262.

5. Employee Benefits

(a) Pension benefits: The Agency's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2006–2007 expense amounts to $3,197,314 ($3,642,256 in 2005–2006), which represents approximately 2.2 times (2.6 in 2005–2006) the contributions by employees.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007	2006
	(in dollars)	
Accrued benefit obligation, beginning of year	4,128,421	3,696,372
Expense for the year	639,463	974,538
Benefits paid during the year	(614,221)	(542,489)
Accrued benefit obligation, end of year	4,153,663	4,128,421

6. Related party transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Agency received services which were obtained without charge from other Government departments as presented hereafter.

Services provided without charge by other government departments:

During the year the Agency received without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans, workman's compensation coverage, and legal services. These services without charge have been recognized in the Agency's Statement of Operations as follows:

	2007	2006
	(in dollars)	
Accommodation	1,869,734	2,080,128
Employer's contribution to the health and dental insurance plans	1,536,936	1,602,670
Workman's compensation coverage	14,224	25,825
Legal services	-	956
Total	3,420,894	3,709,579

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the Agency's Statement of Operations.

7. Comparative information

Comparative figures have been reclassified in Note 3(c) to conform to the current year's presentation.

Table 9 Response to Parliamentary Committees, and Audits and Evaluations for Fiscal Year 2006–2007

Response to Parliamentary Committees
During the reporting period, there were no Parliamentary Committee recommendations on which the Agency was asked to respond.

Response to the Auditor General of Canada, including to the Commissioner of the Environment and Sustainable Development (CESD)
During the reporting period, no recommendation of the Auditor General nor the CESD was addressed specifically to the Agency.

External Audits (note: These refer to other external audits conducted by the Public Service Commission of Canada or the Office of the Commissioner of the Official Languages).
No external audits were done during fiscal year 2006–2007.

Internal Audits or Evaluations
During 2006–2007, two internal audits and two follow-up audits were conducted. Internal audits were conducted on: 1. Records Management: key recommendations concerned the need to acquire temporary resources to eliminate backlog, a review of job classifications of staff, and the creation of a comprehensive electronic and paper-based records inventory. Management has agreed to implement the audit's recommendations where time and resources allow. 2. Performance Indicators and Measures: key recommendations include further refinements in an Agency-wide coordinated approach for the development phase of meaningful performance indicators and measures, including a communications strategy; and, refinements be made to the Performance Management Plan to ensure support of the Agency's strategic goals. Management agreed and began implementing recommendations while the audit was being finalized.

Internal Audits or Evaluations (cont'd)

3. The report for two follow-ups conducted in 2006–2007 on audits conducted in prior years was also issued:

   - the Classification function; and,
   - the Accessible Transportation Directorate.

These follow-up audits were conducted in order to provide senior management with assurance that prior recommendations had been acted upon by those responsible for the areas selected for follow-up. All recommendations in the original audit reports were agreed to and implemented except for a few relatively minor instances where management provided adequate explanations as to why those particular recommendations were not implemented as suggested.

More information concerning the audits is available at the following Web site: www.tbs-sct.gc.ca/rma/database/newdeptview_e.asp?id=29.

Table 10 Client Centred Service

Providing quality service to Canadians is a core value of the Agency in achieving its mission. The Agency strives to provide the highest level of expertise and to reach decisions through an impartial, transparent and fair process. While the Agency has limited capacity to conduct broad, ongoing surveys, periodic formal and informal feedback has been received from shippers, producers, carriers and consumers. Further, all participants in the Agency's mediation process are asked to provide feedback on the process. This feedback has been a valuable tool in identifying priority areas for improvement.

The Agency will continue its steady progress towards improving the way it delivers programs and services, as well as identifying opportunities to seek meaningful feedback from stakeholders. During 2006–07, the Agency thoroughly analyzed its case data and worked to develop plans to improve its levels of service.

Table 11 Travel Policies

The Agency follows the Treasury Board of Canada Secretariat (TBS) Special Travel Authorities and the TBS Travel Directive, Rates and Allowances.

SECTION IV – OTHER ITEMS OF INTEREST

4.1 Corporate Services

Corporate Services refers to the corporate functions that support the delivery of the Agency's plans and priorities. At the Agency, corporate management represents approximately 26 per cent of total employees. They work together with the programs.

The Corporate Services program activity is delivered through four program sub-activities:

- Finance, Planning and Administration;
- Human Resources;
- Communications; and
- Information Management / Information Technology

Financial Resources (millions of dollars)	Planned Spending	Total Authorities	Actual
Finance, Planning and Administration Services	2,193	2,374	1,998
Human Resources	1,093	1,241	1,149
Communications	866	907	963
IM/IT	2,572	2,929	2,899
Total	**6,724**	**7,451**	**7,009**
Human Resources (number of FTEs)	**Planned**	**Actual**	**Difference**
Finance, Planning and Administration Services	18	17	(1)
Human Resources	12	12	0
Communications	9	9	0
IM/IT	27	26	(1)
Total	**66**	**64**	**(2)**

Finance, Planning and Administration Services develops, maintains and implements integrated systems, policies, procedures, services, strategic planning and internal audit for the effective acquisition and stewardship of financial and material resources.

Human Resources provides effective and timely human resources services and advice to managers, employees and unions and, working with those stakeholders, leads the transition to Human Resource Modernization.

Communications provides advice and support as an integral part of the Agency's planning and overall operations and is responsible for providing internal and external strategies, activities and products in order to effectively meet the information needs of Canadians. It does so by providing a wide range of stakeholders with timely, accurate, clear and complete information about the Agency policies, programs, services and initiatives according to requirements of the Government of Canada Communications Policy.

Information Management and Technology Services provides functional direction on, and operational services related to, the management and use of information and technology at the Agency.

4.2 Annual Reports

Annual Reports for 1997 to 2006 (each covering the calendar year) are available on the Agency's Web site at www.cta.gc.ca/publications/ann-rpt/index_e.html.

4.3 Contacts for Further Information

Postal address: Canadian Transportation Agency
Ottawa, Ontario, Canada K1A 0N9

Web site: www.cta.gc.ca

Performance Area	Contact Name	Title	Telephone Number and E-mail Address
Legal Services and Secretariat	Claude Jacques	General Counsel and Secretary	(819) 997-9323 claude.jacques@cta-otc.gc.ca
Air and Accessible Transportation	Joan MacDonald	Director General	(819) 953-5074 joan.macdonald@cta-otc.gc.ca
Rail and Marine Transportation	Ian Spear	A/Director General	(819) 953-4657 ian.spear@cta-otc.gc.ca
Corporate Management	Arun Thangaraj	A/Director General	(819) 997-6764 arun.thangaraj@cta-otc.gc.ca
Planning	Michel LeBlanc	Director	(819) 953-2829 michel.leblanc@cta-otc.gc.ca
Communications	Jacqueline Bannister	Director	(819) 953-7666 jacqueline.bannister@cta-otc.gc.ca

4.4 Legislation and Regulations Administered

A. The Agency has primary responsibility for the following Act:

Canada Transportation Act	*S.C. 1996, c. 10*

B. The Agency shares responsibility for the following Acts:

Access to Information Act	*R.S. 1985, c. A-1*
Canada Marine Act	*S.C. 1998, c. 10*
Canadian Environmental Assessment Act	*S.C. 1992, c. 37*
Civil Air Navigation Services Commercialization Act	*S.C. 1996, c. 20*
Coasting Trade Act	*S.C. 1992, c. 31*
Energy Supplies Emergency Act	*R.S. 1985, c. E-9*
Financial Administration Act	*R.S. 1985, c. F-11*
Official Languages Act	*R.S. 1985, c. 31 (4th Supp.)*
Pilotage Act	*R.S. 1985, c. P-14*
Privacy Act	*R.S. 1985, c. P-21*
Public Service Modernization Act	*S.C. 2003, c. 22*
Railway Relocation and Crossing Act	*R.S. 1985, c. R-4*
Railway Safety Act	*R.S. 1985, c. 32 (4th Supp.)*
Shipping Conferences Exemption Act, 1987	*R.S. 1985, c. 17 (3rd Supp.)*

C. The Agency has sole responsibility for the following regulations and other statutory instruments:

Air Transportation Regulations
Canadian Transportation Agency Designated Provisions Regulations
Canadian Transportation Agency General Rules
Personnel Training for the Assistance of Persons with Disabilities Regulations
Railway Costing Regulations
Railway Interswitching Regulations
Railway Third Party Liability Insurance Coverage Regulations
Railway Traffic and Passenger Tariffs Regulations
Railway Traffic Liability Regulations
Uniform Classification of Accounts and Related Railway Records

D. The Agency shares responsibility for the following regulations:

Carriers and Transportation and Grain Handling Undertakings Information Regulations
Railway Company Pay Out of Excess Revenue for the movement of Grain Regulations
The Jacques-Cartier and Champlain Bridges Inc. Regulations
The Seaway International Bridge Corporation, Ltd. Regulations

These Acts and Regulations are available in the "Legislation" section of the Agency's Web site www.cta.gc.ca/legislation/index_e.html.

4.5 Canadian Transportation Agency Results Chain

Strategic Outcome

A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system

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Intermediate Outcomes

- Federal transportation issues are resolved fairly, effectively and efficiently
- Undue obstacles for persons with disabilities are removed from federally-regulated transportation
- Economic and other interests of transportation users, carriers and other affected parties are protected

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Outputs

- Decisions and orders
- Licences, permits, certificates of fitness and other determinations
- Codes of Practice, tools and regulations
- Educational materials
- Revenue caps for the transportation of Western grain by rail
- Processed and resolved complaints
- Advice concerning administration of the *Canada Transportation Act*
- Administrative monetary penalties issued
- Reports

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Activities

- Conduct hearings
- Mediate disputes
- Process air travel complaints
- Communication activities, including speeches, presentations, publication and dissemination of information, etc.
- Monitoring and investigation activities to ensure compliance with regulations, legislation and international agreements
- Issue licences, permits, certificates, recommendations and other determinations
- Administrative determinations
- Develop and implement regulations
- Develop Codes of Practice, guidelines and similar tools
- Consultations with key stakeholders